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NAFTA-03-17015-5

FEB. 20. 2004 1:22PM SENATOR LOTT

NO. S10-010220-012

TRENT LOTT
MISSISSIPPI
FINANCE
COMMERCE, SCIENCE, AND TRANSPORTATION
RULES
SELECT COMMITTEE ON INTELLIGENCE

United States Senate

SUITE 407, RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510-2407

February 20, 2004

DEPT. OF TRANSPORTATION
DOCKETS

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245 EAST CAPITOL STREET
SUITE 228
JACKSON, MS 39201
3100 S. PASCAPOULA STREET
PASCAPOULA, MS 39667
2012 18TH STREET
SUITE 461
GULFPORT, MS 39501
471 JACKSON AVENUE
SUITE 127
OXFORD, MS 38655

The Honorable Norman Y. Mineta
Secretary
U.S. Department of Transportation
400 Seventh Street, SW
Washington, DC 20590

Dear Secretary Mineta:

As you are aware, Nissan North America, Inc. has submitted to the National Highway and Traffic Safety Administration of the Department of Transportation a petition for an exemption from the Corporate Average Fuel Economy provision requiring separate fuel economy calculations for domestically and non-domestically manufactured passenger cars (known as the "fleet-split" requirement). This statutorily created exemption is intended to encourage international manufacturers to produce cars in the United States and employ U.S. workers.

As a result of NAFTA provisions added to the C.A.F.E. program, it is my understanding that Nissan vehicles, including the Sentra, manufactured in Mexico will become "domestic" vehicles for the purpose of calculating fuel economy after 2005. Due to the fleet-split requirement, this change of vehicle status could result in Nissan having to pay C.A.F.E. penalties. Paying penalties would be damaging to the company's reputation for producing fuel efficient vehicles and would raise prices, both of which would cause lost sales.

Nissan has few options to avoid this. Nissan could reduce the domestic content of the vehicles assembled in Mexico, which would reduce jobs at U.S. auto parts suppliers. Or, Nissan could reduce U.S. production of passenger cars, including the Nissan Altima, which soon will be made in Mississippi. This would result in fewer jobs for Mississippians. As I am sure you agree, neither option is acceptable for workers in Mississippi or the rest of the United States.

Indeed, I am informed that the C.A.F.E. statute requires that you grant the exemption unless you find that it will result in reduced motor vehicle production employment in the United States. Nissan seeks the fleet-split exemption so that it can avoid having to reduce U.S. manufacturing and employment and can instead continue increasing U.S. production. I am writing to inform you that granting Nissan the exemption will not reduce motor vehicle employment in the United States, especially in my home state. The exemption will allow Nissan to maintain current levels of domestic production of passenger cars, including the Altima (soon to be produced in Canton, Mississippi and currently produced in Smyrna, Tennessee), the Maxima (produced in Smyrna), and the Sentra (using U.S.-made components in Mexico).

In the past few years, Nissan had been rapidly expanding its production efforts in the United States. An exemption from the fleet-split requirement will allow Nissan to continue its expansion plans beyond 2005 despite the NAFTA provisions, and will facilitate increases in

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domestic production and employment in Mississippi and the United States. Most importantly, granting Nissan's petition will meet the statutory purpose of the exemption, by increasing U.S. production of fuel-efficient passenger cars. The fleet-split exemption will benefit the workers of my state, which is now part of the growing Southern automotive manufacturing corridor. Accordingly, I encourage you to grant Nissan's petition for the fleet-split exemption.

I appreciate your consideration on this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Trent Lott", written in a cursive style.

Trent Lott